

# MAINE STATE LEGISLATURE

The following document is provided by the  
**LAW AND LEGISLATIVE DIGITAL LIBRARY**  
at the Maine State Law and Legislative Reference Library  
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied  
(searchable text may contain some errors and/or omissions)



# 114th MAINE LEGISLATURE

## FIRST REGULAR SESSION - 1989

Legislative Document

No. 50

S.P. 67

In Senate, January 31, 1989

Submitted by the Department of Professional and Financial Regulation pursuant to Joint Rule 24.

Reference to the Committee on Banking and Insurance suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN  
Secretary of the Senate

Presented by Senator GILL of Cumberland.

Cosponsored by Representative ALLEN of Washington, Representative GARLAND of Bangor and Representative BEGLEY of Waldoboro.

---

STATE OF MAINE

---

IN THE YEAR OF OUR LORD  
NINETEEN HUNDRED AND EIGHTY-NINE

---

**An Act to Amend the Chapter Applicable to Medicare Supplement Insurance Policies.**

---



1 **Be it enacted by the People of the State of Maine as follows:**

3 **Sec. 1. 24-A MRSA §2413, sub-§1, ¶F,** as enacted by PL 1981, c.  
234, §3, is amended to read:

5  
7 F. As to Medicare supplement policies or contracts, as  
defined in chapter 67, if the policy cannot be anticipated,  
as estimated for the entire period for which rates are to be  
9 computed to provide coverage, on the basis of incurred  
claims experience and earned premiums for that period and in  
11 accordance with accepted actuarial principles and practices,  
to return to policyholders in the form of aggregate benefits  
13 provided under the policy at least 60% 65% of the aggregate  
amount of premiums collected in the case of individual  
15 policies and at least 75% of the aggregate amount of  
premiums collected in the case of group policies.

17  
19 **Sec. 2. 24-A MRSA §4207, sub-§9** is enacted to read:

21 9. A health maintenance organization may issue a Medicare  
supplement policy. Chapter 67 and any rules adopted pursuant to  
that chapter shall apply to health maintenance organizations  
issuing Medicare supplement policies, except when that  
application is inconsistent with that chapter.

25  
27 **Sec. 3. 24-A MRSA §5002,** as enacted by PL 1981, c. 234, §4,  
is amended by inserting at the beginning a new paragraph to read:

29 A Medicare supplement policy, contract or certificate in  
force in the State may not contain benefits that duplicate  
benefits provided by Medicare.

31  
33 **Sec. 4. 24-A MRSA §5004,** as enacted by PL 1981, c. 234, §4,  
is repealed and the following enacted in its place:

35 **§5004. Medicare supplement policy rates**

37  
39 1. Any Medicare supplement policy or contract is subject to  
the minimum loss ratio standards of section 2413, subsection 1,  
paragraph F, as well as any other laws of this State as apply to  
rate filings with respect to health insurance and nonprofit  
hospital and medical service organizations and nonprofit health  
care plan contracts.

43  
45 2. If a Medicare supplement certificate is to be provided  
to a resident of this State under a master policy issued for  
delivery outside this State, the group certificate shall be filed  
with the superintendent at least 60 days prior to any  
solicitation in this State, along with sufficient information  
concerning the nature of the group, to permit the superintendent  
to make the determinations required by section 2412.

51

1           3. An insurer, nonprofit hospital and medical service  
2           organization or nonprofit health care plan may not provide  
3           compensation to its agents or other producers which is greater  
4           than the renewal compensation which would have been paid on an  
5           existing policy if the existing policy is replaced by another  
6           policy with the same company where the new policy benefits are  
7           substantially similar to the benefits under the old policy and  
8           the old policy was issued by the same insurer or insurer group.

9  
10           **Sec. 5. 24-A MRSA §5007**, as enacted by PL 1981, c. 605, is  
11 amended to read:

12           **§5007. Examination and return of Medicare supplement**  
13           **policies**

14           Medicare supplement policies or certificates, ~~other than~~  
15           ~~these issued pursuant to direct response solicitation,~~ shall have  
16           a notice prominently printed on the first page of the policy or  
17           certificate or attached thereto, stating in substance that the  
18           applicant shall have the right to return the policy or  
19           certificate within ~~10~~ 30 days of its delivery and to have the  
20           premium refunded if, after examination of the policy or  
21           certificate, the applicant is not satisfied for any reason.  
22           ~~Medicare supplement policies or certificates issued pursuant to a~~  
23           ~~direct response solicitation to persons eligible for Medicare by~~  
24           ~~reason of age shall have a notice prominently printed on the~~  
25           ~~first page or attached thereto, stating in substance that the~~  
26           ~~applicant shall have the right to return the policy or~~  
27           ~~certificate within 30 days of its delivery and to have the~~  
28           ~~premium refunded if, after examination, the applicant is not~~  
29           ~~satisfied for any reason.~~

30  
31  
32           **Sec. 6. 24-A MRSA §§5008 and 5009** are enacted to read:

33           **§5008. Minimum standards for benefits and claims payment**

34           The superintendent may issue rules to establish minimum  
35           standards for benefits and claims payment under Medicare  
36           supplement policies.

37           **§5009. Filing requirements for advertising**

38           Every insurer, nonprofit hospital and medical service  
39           organization or nonprofit health care plan providing Medicare  
40           supplement insurance or benefits in this State shall provide a  
41           copy of any Medicare supplement advertisement intended for use in  
42           this State, whether through written, radio or television medium,  
43           to the superintendent for review at least 45 days prior to the  
44           date the advertisement will be used in this State.

1

## STATEMENT OF FACT

3       Federal law requires that in the regulation of Medicare  
5 supplement insurance contracts certain amendments to State law  
7 must occur in order to prevent duplication in payment of Medicare  
9 benefits. The United States Medicare Catastrophic Coverage Act  
11 of 1988 substantially revised federal Medicare benefits and  
mandates state action to coordinate with the Act in several  
areas. The changes must be made by the states in order to avoid  
federal preemption of state regulation of medical supplement  
insurance contracts.

13       Section 1 of the bill increases the minimum loss ratio  
15 requirement in individual Medicare supplement policies from 60%  
17 to 65%. The National Association of Insurance Commissioners  
Medicare Supplement Insurance Model Act proposes use of either  
60% or 65%. Sixty percent is the minimum acceptable standard.

19       Section 2 of the bill permits health maintenance  
21 organizations to write Medicare supplement contracts.

23       Section 3 of the bill provides that a Medicare supplement  
contract may not provide benefits duplicating Medicare.

25       Section 4 of the bill merely restates existing language  
27 found in the Maine Revised Statutes, Title 24-A, section 2412, of  
the Maine Insurance Code and clearly provides that the section is  
29 applicable to Medicare supplement certificates. Prior to selling  
certificates of insurance to Maine residents through out-of-state  
31 policies, the certificate and information sufficient to permit a  
determination as to the nature of the group must be filed in the  
33 State. The section also limits agent compensation when one  
Medicare supplement contract is replaced by another and both  
contracts are with the same insurer.

35       Section 5 of the bill follows the Medicare Supplement  
37 Insurance Model Act increasing the time an insured has to return  
a policy for refund from 10 days to 30 days.

39       Section 6 of the bill follows federal guidelines concerning  
41 minimum standards for benefits and claims payment and is  
43 consistent with the federal requirement that all Medicare  
supplement insurance advertising materials be prefiled with the  
45 superintendent.